

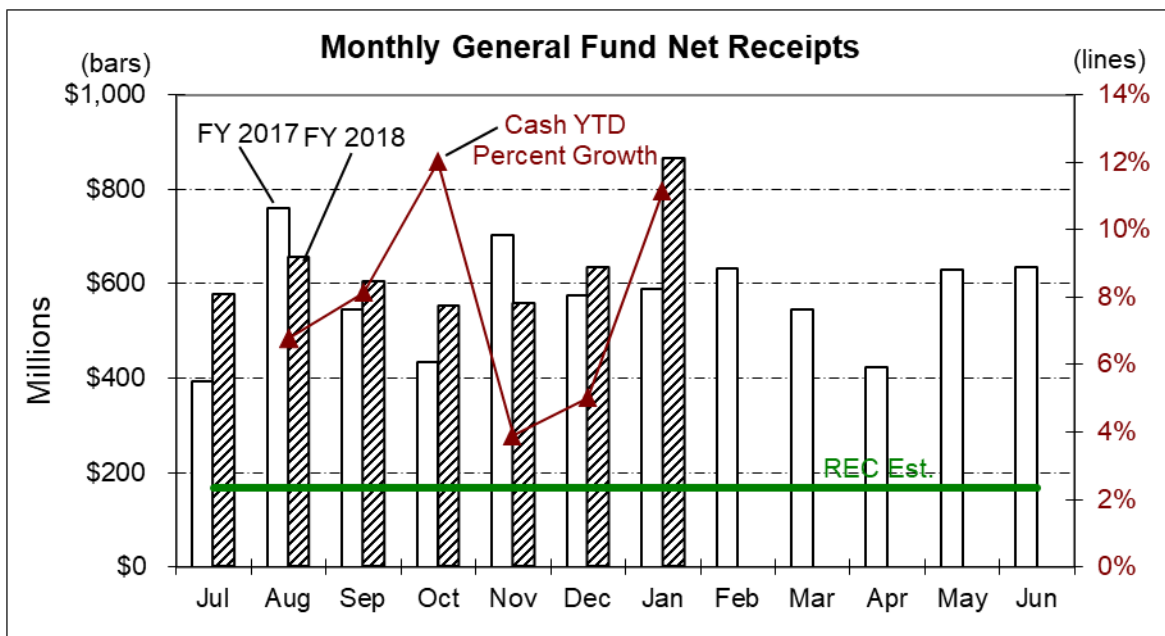
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: February 1, 2018

Monthly General Fund Revenue Receipts Through January 31, 2018

The attached spreadsheet presents FY 2018 General Fund total net receipts with comparable figures for actual FY 2017. The figures can be compared to the FY 2018 estimate of \$7.128 billion set by the Revenue Estimating Conference (REC) on December 11, 2017. The FY 2018 estimate is an increase of \$163.7 million (2.4%) compared to FY 2017 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

January 2018 net General Fund revenue was \$275.1 million (46.7%) above the January 2017 revenue level. Cash fiscal year-to-date net receipts are \$446.1 million (11.2%) higher than FY 2017. There are a few factors that complicate comparisons of year-to-date growth.

- The first is due to an accounting change made in April 2017 that schedules deposits of revenue a day earlier than in FY 2017 for withholding and sales/use tax receipts. This increased deposits by \$87.4 million and \$54.6 million, respectively. Monthly comparisons between years will negatively impact February.

- The second is increased personal income tax estimate payments received due to federal tax law changes. The total of estimated payments received in December and January is \$109.4 million higher than FY 2017, an unknown portion of which could be attributed to this law change.
- The third is decreased personal income tax refunds being issued from December to January. Total refunds issued in December and January total the lowest in the past 10 years, positively impacting revenues by \$19.6 million.

Major sources of revenue and their contributions to the FY 2018 year-to-date revenue change include:

- Personal income tax (positive \$274.4 million, 11.5%).
- Sales/use tax (positive \$124.8 million, 7.6%).
- Corporate tax (positive \$39.3 million, 15.7%).
- Other taxes (positive \$7.3 million, 5.2%).
- Other receipts (positive \$9.1 million, 5.6%).
- Tax refunds not including school infrastructure refunds (negative \$18.7 million).
- School infrastructure sales/use tax refunds (positive \$9.9 million).

Fiscal Year Growth

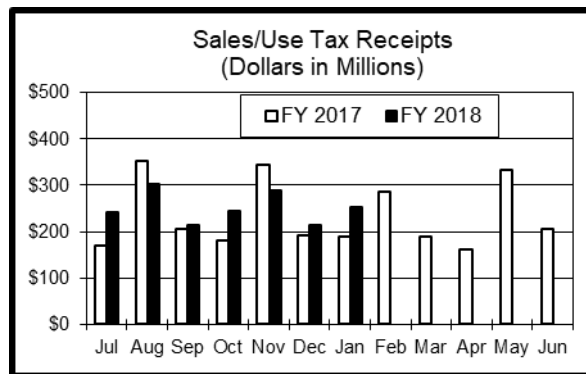
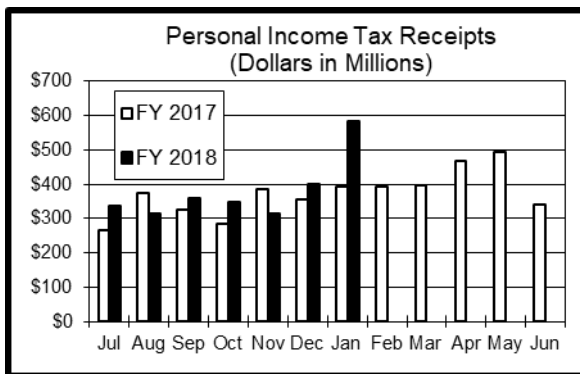
Converting receipts from a cash year basis to a fiscal year basis results in the following table for year-to-date net growth in the following receipts categories.

Net General Fund Receipts Through January 31, 2018					
Fiscal Year-to-Date, Gross Receipts Net of Refunds, in Millions					
	FY 2017	FY 2018	\$ Difference	% Difference	
Net Income	\$ 1,998.8	\$ 2,254.3	\$ 255.5	12.8%	
Net Sales/Use	1,147.0	1,233.4	86.4	7.5%	
Net Corporate	142.3	142.8	0.5	0.4%	
Net Franchise	12.6	11.2	-1.4	-11.1%	
Net Inheritance	33.8	34.8	1.0	3.0%	
Net Insurance & Other Taxes	57.6	53.1	-4.5	-7.8%	
Other Revenue	138.6	144.7	6.1	4.4%	
Net Revenue	\$ 3,530.7	\$ 3,874.3	\$ 343.6	9.7%	

Revenue Categories

Personal Income Tax revenue received in January 2018 totaled \$582.7 million, an increase of \$188.7 million (47.9%) compared to January 2017.

The FY 2018 REC income tax estimate of \$4.656 billion represents a projected increase of 4.2% compared to actual FY 2017. Through January 2018, personal income tax receipts increased \$274.4 million (11.5%). By subcategory, withholding payments increased \$160.0 million (8.0%), estimate payments increased \$109.3 million (33.9%), and payments with returns increased \$5.1 million (7.5%). The following chart compares FY 2017 and FY 2018 monthly income tax receipts from the three personal income tax subcategories.



Sales/Use Tax receipts received in January 2018 totaled \$253.4 million, an increase of \$65.5 million (34.9%) compared to January 2017.

The REC estimate for FY 2018 sales/use tax receipts is \$2.918 billion, a projected increase of 3.8% compared to actual FY 2017. Through January 2018, sales/use tax receipts increased \$124.8 million (7.6%). The preceding chart compares FY 2017 and FY 2018 monthly sales/use tax receipts.

Corporate Income Tax receipts received in January 2018 totaled \$29.2 million, an increase of \$1.3 million (4.7%) compared to January 2017.

The REC estimate for FY 2018 corporate tax revenue is \$592.8 million, a projected increase of 7.8% compared to actual FY 2017. Through January 2018, corporate income tax receipts increased \$39.3 million (15.7%).

Other Tax receipts received in January 2018 totaled \$18.0 million, an increase of \$6.6 million (57.9%) compared to January 2017. The inheritance tax, insurance premium tax, and franchise tax all saw larger deposits this month compared to the same month last year.

The REC estimate for FY 2018 other tax revenue is \$263.0 million, a projected decrease of 2.6% compared to actual FY 2017. Through January 2018, other tax receipts increased \$7.3 million (5.2%).

Other Receipts (nontax receipts) received in January 2018 totaled \$36.7 million, a decrease of \$2.0 million (-5.2%) compared to January 2017.

The REC estimate for FY 2018 other receipts revenue is \$293.6 million, a projected decrease of 5.3% compared to actual FY 2017. Through January 2018, other receipts increased \$9.1 million (5.6%).

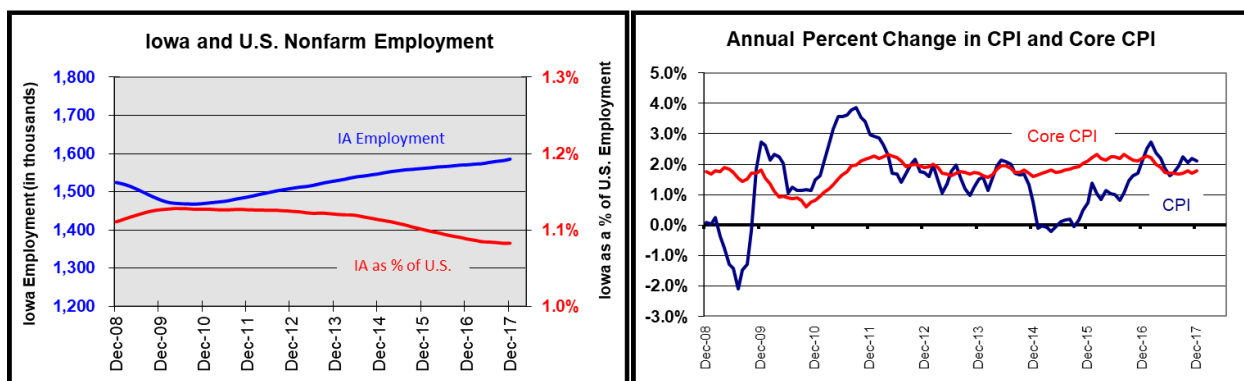
Tax Refunds issued in January 2018 totaled \$12.8 million, a decrease of \$15.1 million compared to January 2017. In addition to regular refunds, school infrastructure refunds totaled \$43.3 million, a decrease of \$0.1 million compared to January 2017.

Status of the Economy

Iowa nonfarm employment was reported at 1,603,600 for the month of December 2017 (not seasonally adjusted), 26,900 (1.7%) higher than December 2016.

Iowa's 12-month average nonfarm employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, which was 47,700 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,585,500, resulting in an average Iowa nonfarm employment level that is 59,100 above the October 2008 peak.

The red line on the employment chart presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percent of U.S. employment is currently at its lowest level since September 1987, but has grown over the last three months.



The Consumer Price Index (CPI) through December 2017 was 246.5 (1983/84=100). Consumer prices decreased 0.1% in December (not seasonally adjusted) and the annual rate of inflation decreased to 2.1%, a decrease of 0.1% from the previous month's level.

Core CPI, an inflation measure excluding food and energy expenditures, was essentially unchanged in December 2017, and increased 1.8% year-over-year. This is the ninth month the core inflation rate has been below 2.0% since November 2015. For the two components excluded from the core rate, energy prices are up 6.9% year-over-year and food prices are up 1.6%.

Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

GENERAL FUND RECEIPTS FY 2018 vs. FY 2017 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated using rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 2017 Actual Compared to FY 2018 REC Estimate		
	FY 2017	FY 2018	Year-to-Date % Change	January % Change	FY 2017 Actual	FY 2018 Estimated	Projected % Change
Personal Income Tax	\$ 2,380.0	\$ 2,654.4	11.5%	47.9%	\$ 4,469.0	\$ 4,655.7	4.2%
Sales/Use Tax	1,633.9	1,758.7	7.6%	34.9%	2,812.3	2,917.9	3.8%
Corporate Income Tax	249.8	289.1	15.7%	4.7%	549.7	592.8	7.8%
Inheritance Tax	49.1	51.3	4.5%	45.8%	86.1	88.8	3.1%
Insurance Premium Tax	53.7	54.9	2.2%	400.0%	114.8	107.9	-6.0%
Beer/Liquor Tax	8.6	8.4	-2.3%	0.0%	14.0	14.1	0.7%
Franchise Tax	28.4	32.4	14.1%	65.9%	53.8	50.9	-5.4%
Miscellaneous Tax	0.5	0.6	20.0%	0.0%	1.4	1.3	-7.1%
Total Gross Taxes	\$ 4,404.0	\$ 4,849.8	10.1%	42.2%	\$ 8,101.1	\$ 8,429.4	4.1%
Institutional Payments	\$ 5.8	\$ 6.6	13.8%	37.5%	\$ 11.5	\$ 9.1	-20.9%
Liquor Profits	69.0	68.1	-1.3%	0.0%	116.0	116.1	0.1%
Interest	1.4	1.8	28.6%	100.0%	2.3	2.0	-13.0%
Fees	11.8	13.0	10.2%	48.0%	25.4	25.2	-0.8%
Judicial Revenue	43.1	44.7	3.7%	1.1%	94.3	97.4	3.3%
Miscellaneous Receipts	30.2	36.2	19.9%	-25.5%	60.6	43.8	-27.7%
TOTAL GROSS RECEIPTS	\$ 4,565.4	\$ 5,020.2	10.0%	39.4%	\$ 8,411.2	\$ 8,723.0	3.7%
Accrued Revenue — Net					73.5	-13.3	
Tax Refunds *	-283.0	-301.7	6.6%	-54.1%	-1,059.8	-1,108.5	4.6%
School Infrast. Refunds *	-287.1	-277.2	-3.4%	-0.2%	-460.4	-473.0	2.7%
TOTAL NET RECEIPTS	\$ 3,995.2	\$ 4,441.3	11.2%	46.7%	\$ 6,964.5	\$ 7,128.2	2.4%
* For the Year-to-Date columns, refunds are presented on a cash basis. For FY 2017 Actual and FY 2018 Estimate, refunds are presented on a fiscal year basis. The FY 2017 column is final.							